



## Roy Cooper North Carolina Attorney General

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### **Ameriquest to pay \$325 million, improve lending practices, announces AG Cooper**

*Predatory lending investigation results in consumer refunds, reforms at largest subprime lender*

**Raleigh:** Attorney General Roy Cooper announced today that Ameriquest Mortgage Company, the nation's largest subprime lender, will pay \$295 million to thousands of consumers, \$30 million to 49 states and Washington, D.C., and make sweeping reforms of practices that states said amounted to predatory lending.

"Based on our investigation, we believe this company deceived consumers and stuck them with overpriced and unfair loans," said Cooper. "Not only has Ameriquest agreed to change its ways, but this agreement will go a long way toward improving how other mortgage companies treat their customers."

The attorneys general began investigating Ameriquest's lending practices in 2004 after getting complaints from hundreds of consumers across the country including 15 consumers in North Carolina. Consumers raised a number of complaints about Ameriquest, including: unfair disclosures of prepayment penalties, discount points and other loan terms; unsolicited refinancing offers that hid prepayment penalties; influenced and inflated appraisals; and being encouraged to lie about income or employment to obtain loans.

Ameriquest primarily makes refinancing loans to homeowners who are hoping to save money on monthly payments by consolidating credit card and other debt into a new home mortgage. Borrowers with less than ideal credit may turn to these subprime loans, which often have higher interest rates and costs over the life of the loan.

Under the agreement the company will pay \$295 million for consumer refunds and \$30 million to the states to cover their costs and fund consumer education and consumer protection enforcement programs. This ranks as the second-largest state or federal consumer protection settlement in history, after the \$484 million predatory lending agreement Cooper helped negotiate with Household Finance Corporation in 2002.

Of the \$295 million for consumer refunds, \$175 million will be distributed in a nationwide claims process to eligible Ameriquest customers who took out mortgages between January 1, 1999 and April 1, 2003. Another \$120 million in refunds will go to the states based on the percentage of total Ameriquest loans held by consumers in each state. Those funds will be used to pay refunds to Ameriquest customers who got mortgages from the company between January 1, 1999, and December 31, 2005.

Approximately 6,000 consumers in North Carolina will receive an estimated total of \$1.5 million in refunds. Eligible consumers do not need to take any action at this time to claim their refunds. Cooper's office will contact North Carolina consumers who are eligible to get money back.

Ameriquest will also make extensive changes to its lending practices. According to the agreement, Ameriquest will:

- Provide the same interest rates and discount points for similarly-situated consumers.
- Stop paying sales personnel incentives to include extra fees or penalties in mortgages.

- Fully disclose interest rates, discount points, prepayment penalties, and other loan terms to consumers.
- Overhaul its appraisal practices by removing branch offices and sales personnel from the appraiser selection process, instituting an automated system to select appraisers from panels created in each state, limiting the company's ability to get second opinions on appraisals, and prohibiting Ameriquest employees from influencing appraisals.
- Not encourage prospective borrowers to falsify income sources or income levels.
- Stop soliciting consumers to refinance their mortgage during the first 24 months of a loan, unless the borrower is already considering refinancing.

An independent monitor will ensure that the company complies with the agreement.

The settlement includes ACC Capital Holding Corporation (the mortgage holding company), and its subsidiaries Ameriquest Mortgage Company, Town & Country Credit Corporation, and AMC Mortgage Services, Inc., formerly known as Bedford Home Loans. The company is based in Orange, California, near Los Angeles.

Today's agreement is the latest action by Cooper to protect North Carolina consumers from unfair loans and enforce the state's tough predatory lending law, which he helped author as a state senator. Cooper's work on the settlement with Household Finance results in refunds of \$11 million to North Carolina consumers. In 2001, Cooper won the largest consumer settlement in the state's history when home mortgage lender The Associates agreed to pay \$20.2 million in refunds to resolve charges that the company "packed" single premium credit insurance into loans. The Federal Trade Commission later reached an agreement with Citigroup, The Associates' parent company, to provide \$215 million in refunds for Associates customers across the country.

"Buying a home is the most important purchase most families will ever make," said Cooper. "I'll continue working to root out predatory lending. And to make sure that lenders treat homeowners fairly."

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